

A vertical splash of water on the left side of the slide, featuring large, clear water droplets and smaller bubbles against a dark blue background. The rest of the slide has a solid, lighter blue background.

O2 Czech Republic

29th July 2015

O₂

- 1 Market position
- 2 Separation project
- 3 Growth opportunities
- 4 Commercial model
- 5 Operating model
- 6 Strong financial performance & position

The leading retail telco operator in the Czech Republic... ...and the fastest growing operator in Slovakia

- 4,945k Mobile
- 883k fixed voice lines
- 799k xDSL
- 188k IPTV



- 1,711k Mobile

- Leading fixed/mobile operator
- Fastest growing Pay TV provider
- Leading fixed BB provider

- No. 3 mobile (25% m.s.), the fastest growing
- Voted “Operator of the Year” for the 5th consecutive year by customers
- Revenues +14%, EBITDA +20%

O2 Czech Republic Group structure

O₂ Group

O₂ Czech Republic

O₂ Slovakia

O₂ TV

O₂ Family

O₂ IT Services

Other ^[1]

^[1] O2 CR branch in Slovakia, Tesco Mobile CR, Internethome, O2 IT Services, ICA

Commercial relationship with CETIN established...

...PPF will not request financial assistance from O2

Listing on Stock Exchange

- **PPF Group** declared that it **will not pursue the withdrawal of O2 shares from the stock market** and that it intends to support their public tradability in every manner possible

Financial assistance

- **PPF Group** declared publicly that it **no longer intends to ask O2 for financial assistance**

O2 CR x PPF relationship

- **PPF Group** declared that it **considers O2 as financial investment**
- **O2 is not considered as part of PPF Group**
- **PPF Group does not interfere with daily management** of O2; O2 does not pay any management fee to PPF

O2 CR x CETIN relationship

- **Two independent companies since 1 June**, CETIN key vendor of O2
- **Commercial relationship established...**
- **... 12 main business contracts** on commercial as well as regulated basis
 - Fixed – based on reference price, commitment 80% of current FBB customer base
 - Mobile – open book principle @ CZK 4.4 bn. for 7 years

Fundamental rationale for separation...

...transaction follows three simple goals

1. Streamlining the business



- **Vertically integrated O2 CR incorporates two businesses different in nature:** Service unit (“**O2**”) and infrastructure unit (“**CETIN**”)
- Each require different management approach and goals
- Different investment policy and horizon to be followed to maximize shareholder value

2. Easing of regulation



- Second strictest regulatory remedy voluntarily to be delivered by CETIN in the new set-up
- Freeing up the business from numerous negative consequences of current semi-regulated environment

3. Financial consequences

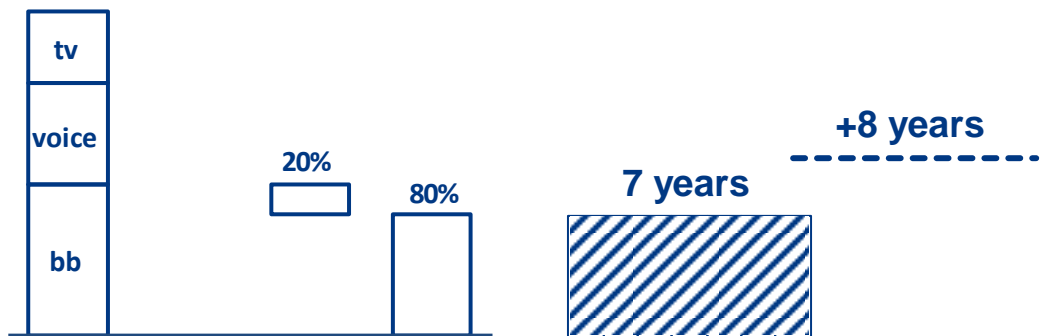


- O2 and CETIN risk profiles may diverge in the future and funding options correspondingly
- CETIN has longer term visibility, while new O2 can accelerate execution of its strategy

Reasonable commitment for pro-growth areas...

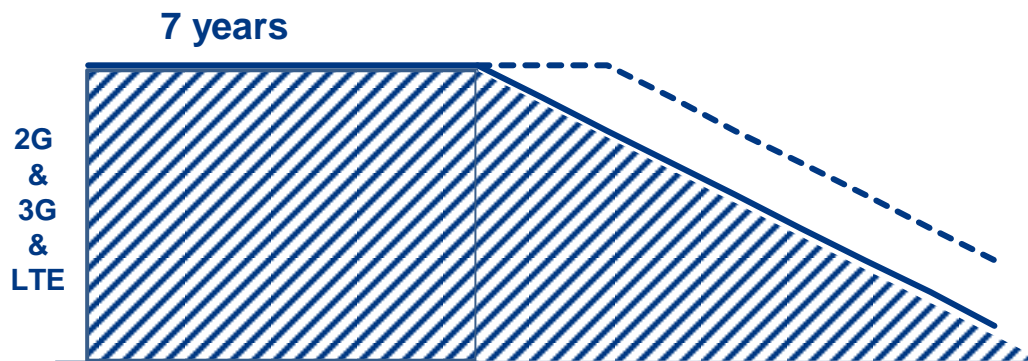
... with further potential


Fixed charge & commitment (illustrative)



	TIME		
VOLUME			X
		X	

Mobile charge & commitment (illustrative)



- Open book principle
- 7 years commitment 
- Additional savings shared

Arthur D. Little & Citi commenting on O2 CR separation

“Breaking news: 1st worldwide voluntary structural separation”

Arthur D Little

O2 decided to make the bold move and completely separate the Infrastructure business as a new company

We are confident that this is a pioneering move in the telecom and financial world and will bring in the expected benefits.

We believe that going forward telcos will increasingly reconsider their operating model. O2 made the choice to implement our model by structurally separating the NetCo

“World leading move on structural separation”

citi

This revolutionary move has been driven by management’s desire to address the inherent inefficiencies of the legacy telecom incumbent business model

Although the concept of structural separation and wholesale-only infrastructure operators companies is not new, O2 CZ is the first incumbent telecom operator in the world to voluntarily separate its entire infrastructure .

Attraction of the structural separating business case has recently grown due to growing importance of content as network traffic generator, expected boom in Internet of Things opportunities and increasing importance of digital services on global economic growth.

O₂

O2 is in business with increasing demand... ...while the other sectors experience the opposite trend

Electricity consumption in CR^[1]



Electricity consumption per head in CR^[1]



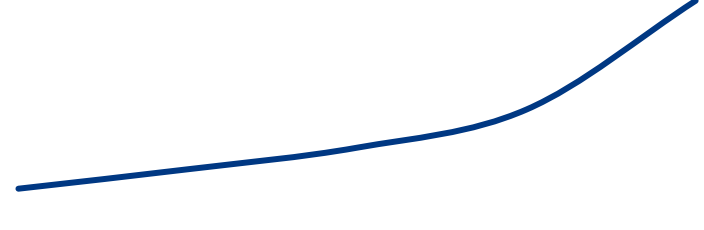
2010 2011 2012 2013 2014

2010 2011 2012 2013 2014

O2 data^[2] consumption



O2 data^[2] consumption per customer



2010 2011 2012 2013 2014

2010 2011 2012 2013 2014

^[1] source: ERU
^[2] mobile data only

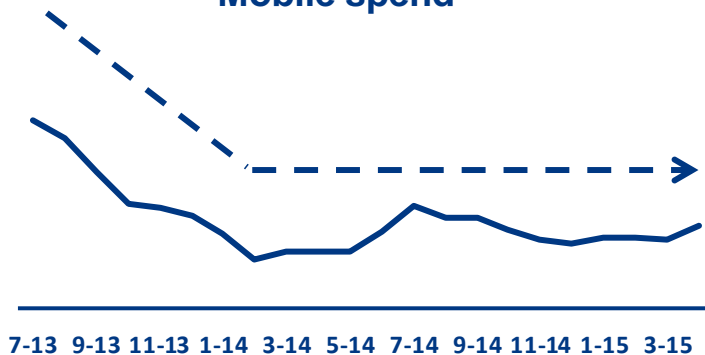


Stabilizing traditional business...

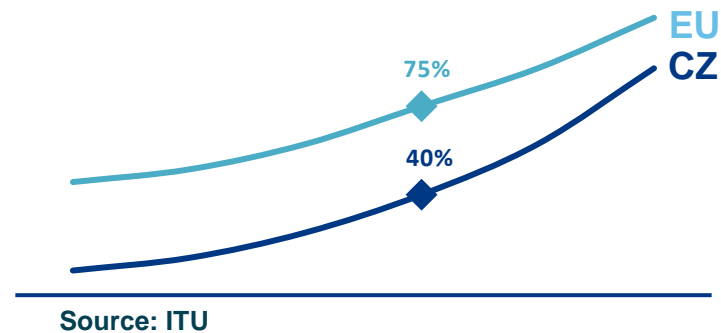
... with clear growth opportunities

Flat & Data

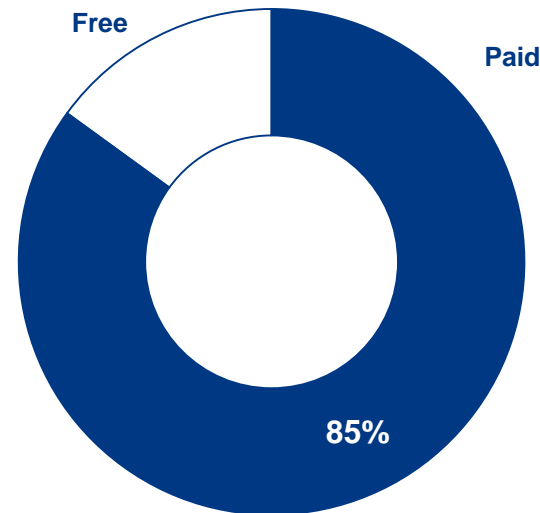
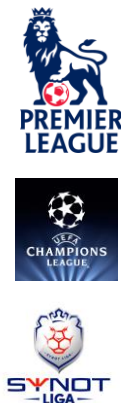
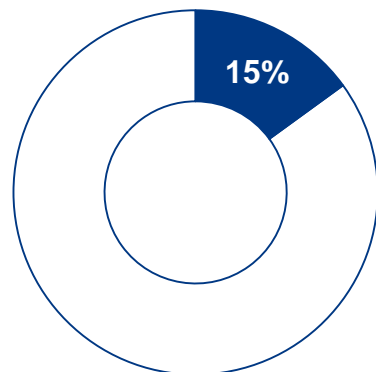
Mobile spend [1]



Data penetration [2]



Pay TV



[1] Mobile consumer contract spend, [2] Mobile data penetration

O2 brings unique multidimensional customer experience... ... confirming its leading position in European IPTV market

O₂ TV

Anytime

Time shift
(30 hours)



Recording
(100 hours)



Video on demand
(>1,000 movies)



Anywhere

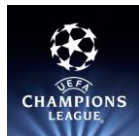
Multi-device



Multi-room



Unique content



Any match



Any camera

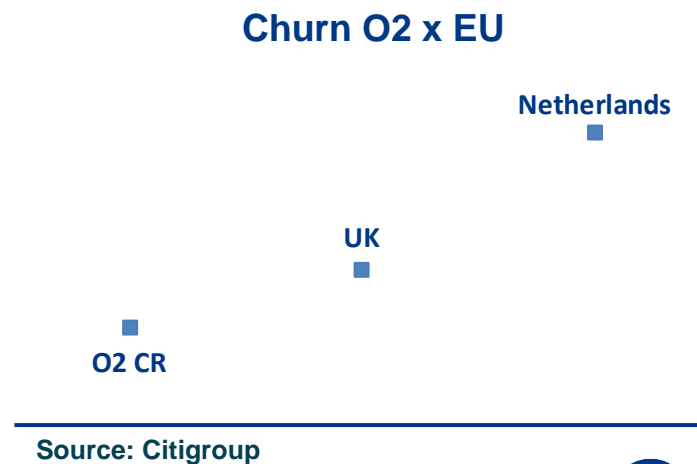
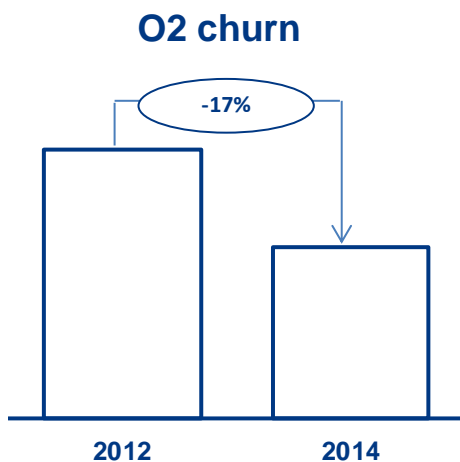
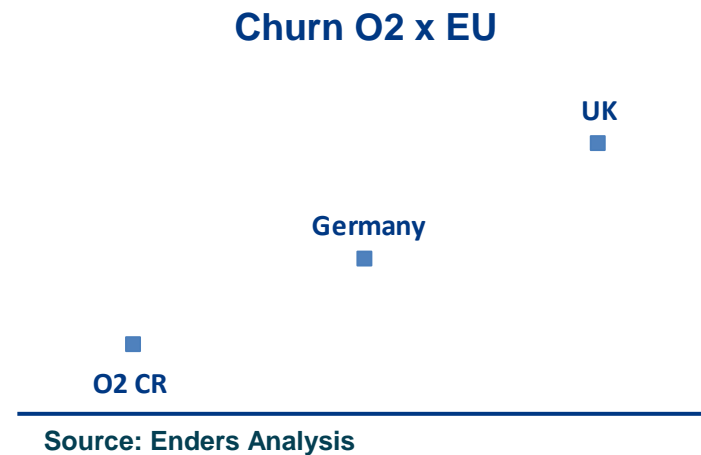
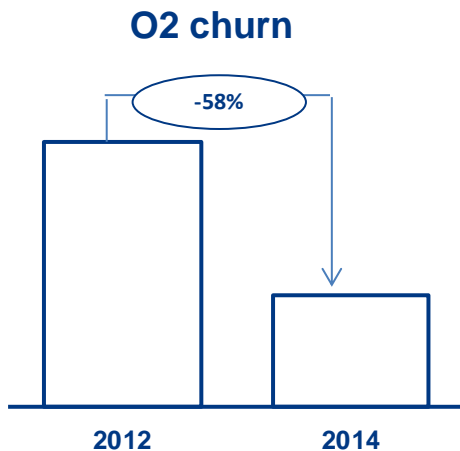


O₂ SPORT
Exkluzivně v O₂TV

O₂

Best in class loyalty...

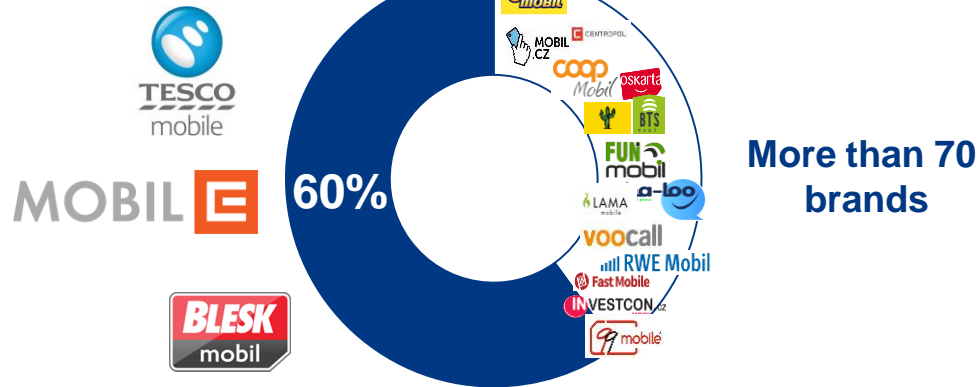
...already bringing significant value



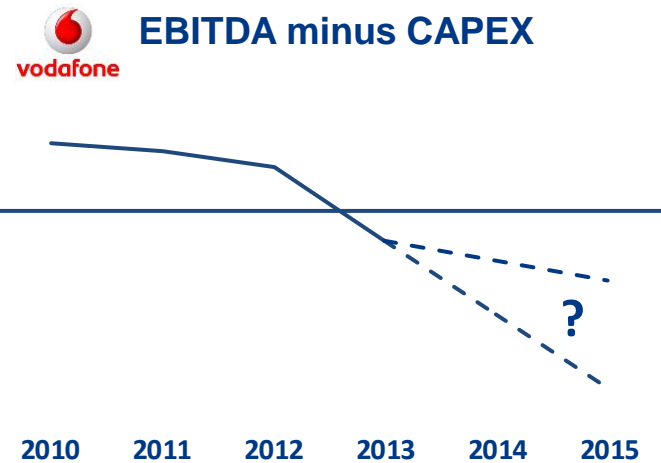
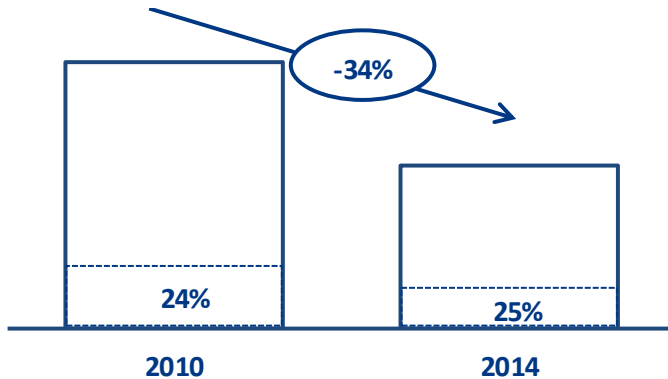
Leadership in MVNO & B2B market...

... unsustainable business model of market challenger

O2 with strong brands



CZ mobile market shrank [1]



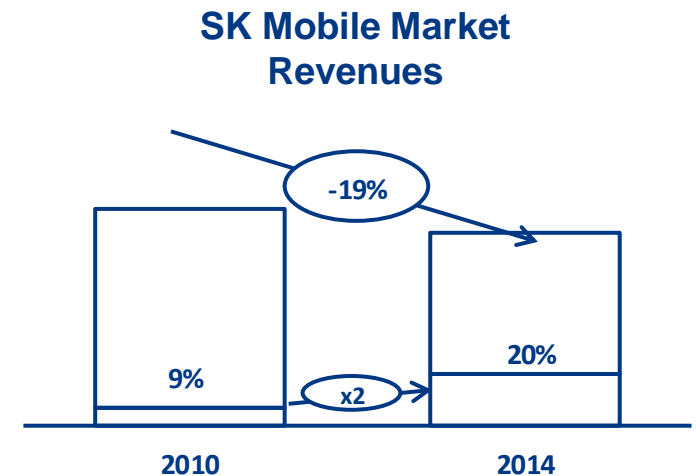
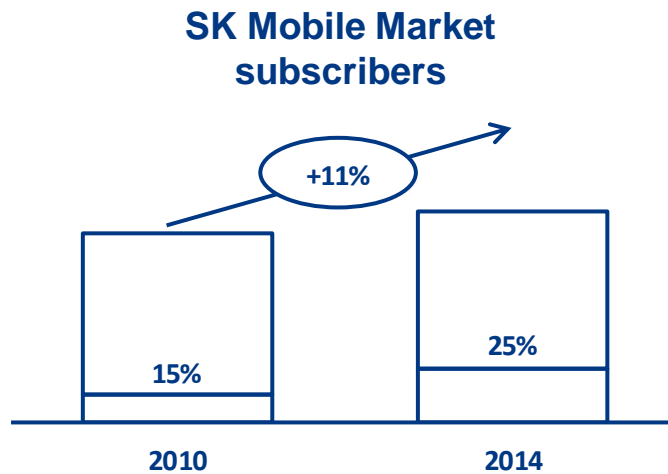
[1] service revenues

O2 Slovakia – improving financial performance...



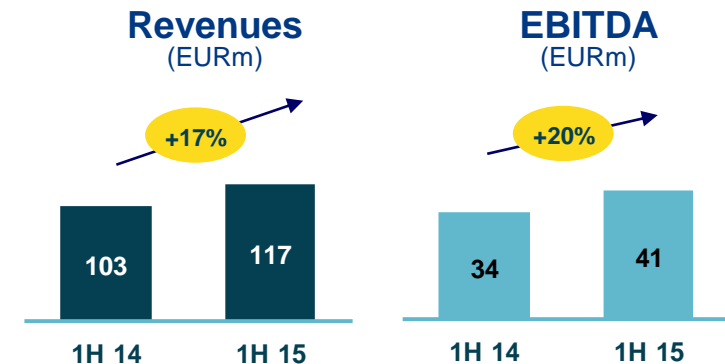
... driven by subscribers' growth, data & lean operation

Strengthening market position



Strong financials (EURm)

- Strong revenues growth maintained
- EBITDA margin 34.8% in 1H 2015 (+1.8 p.p. y-o-y), leveraging on lean operation and synergies with CZ
- Increasing and positive contribution to the consolidated financials (23% of Group's EBITDA in 1H 2015)



O2 Slovakia – the only growing operator...

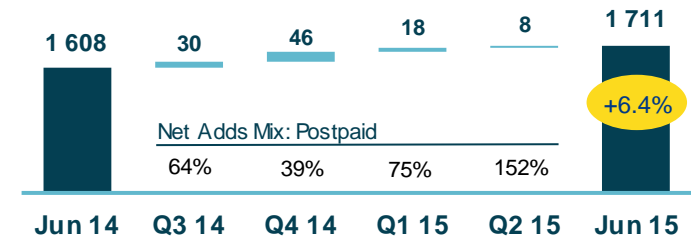


...on the back of simple and transparent proposition

Mobile customers

- Sustained customers' growth (+6.4% y-o-y)
- Monthly contract churn remains low (1.1%)
- Simple and transparent proposition, driving growing postpaid community

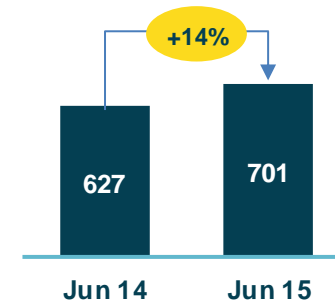
Customer base ('000)



Growing data revenues

- Increasing the coverage of 3G network driving smartphone penetration (46.9%, +7.4 p.p. y-o-y) and data ARPU uptake
- Favorable data packages driving growth of the mobile internet base +12% y-o-y, translating into data revenue growth +14% y-o-y

Small screen base ('000)

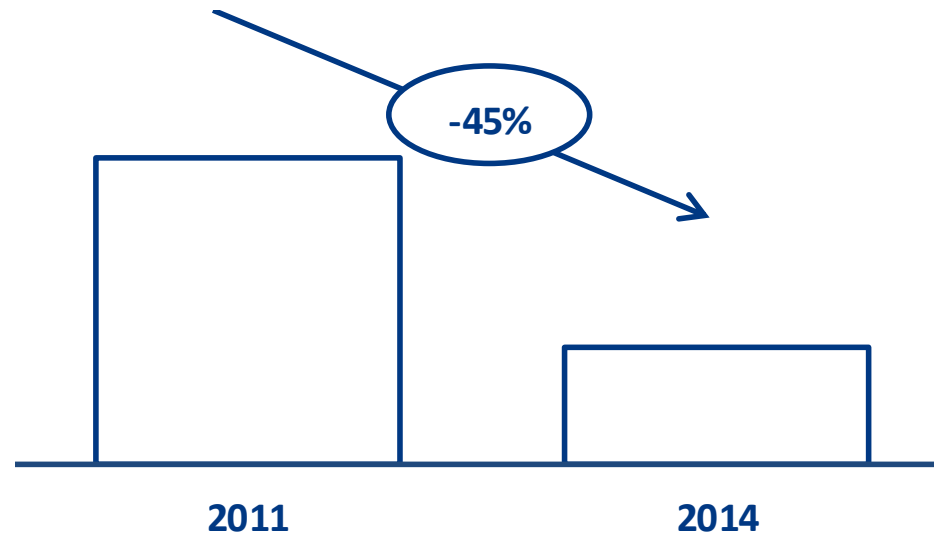


Small screen revenues (EURm)



Commercial model already rationalized... ... with significant cost reduction

**Commercial
Costs [1]**

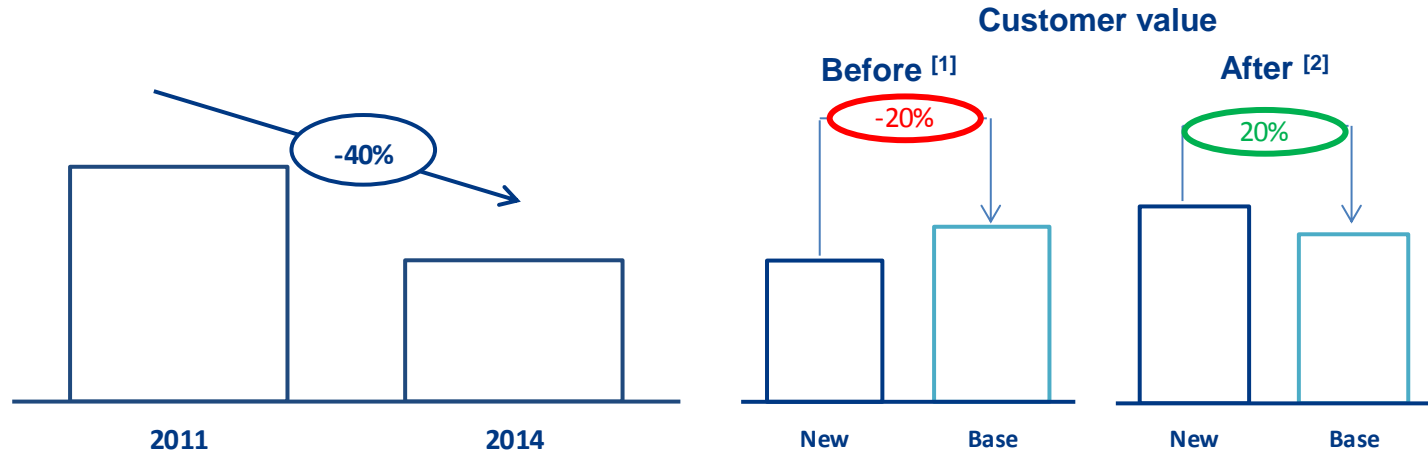


[1] includes Call centers, Commissions, Handset subsidies & Marketing

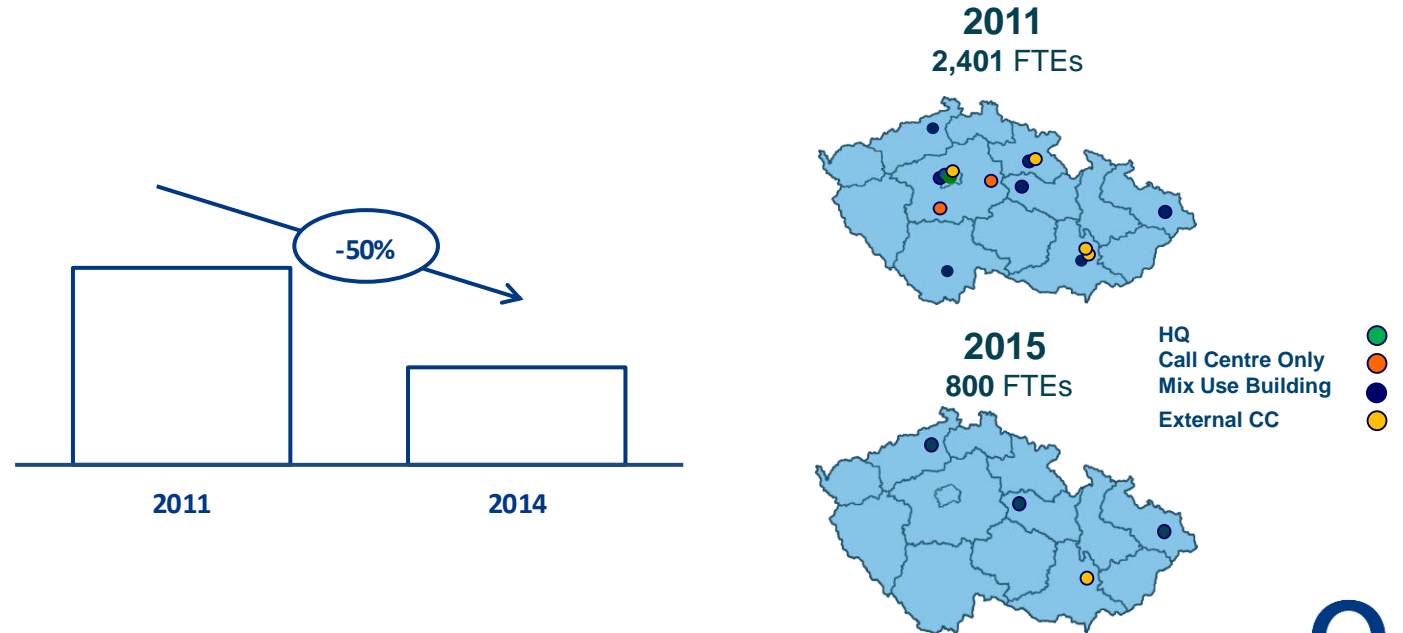
Bringing more valuable customers at lower cost...

...care costs down due to simplification & consolidation

Commissions



Call centers expenses



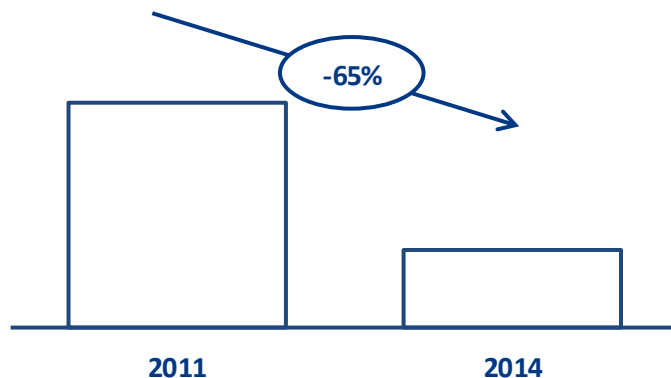
[1] October 2013, [2] March 2015



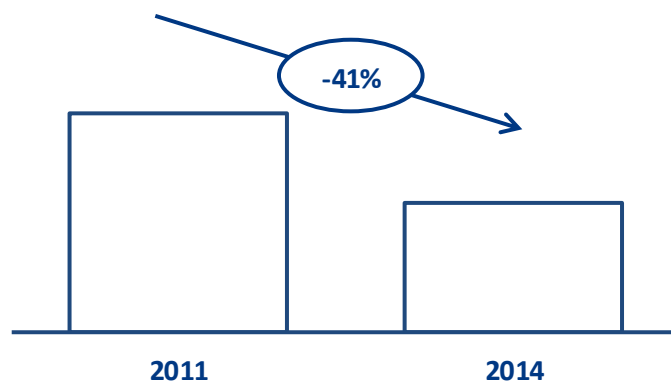
Radical change in handset subsidies...

...co-financing marketing activities by partners

Hardware subsidies

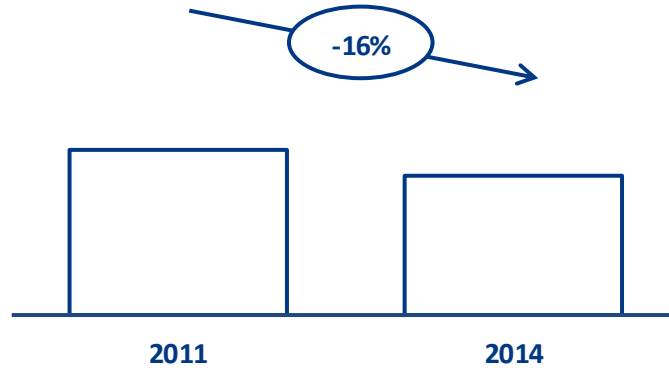


Marketing expenses

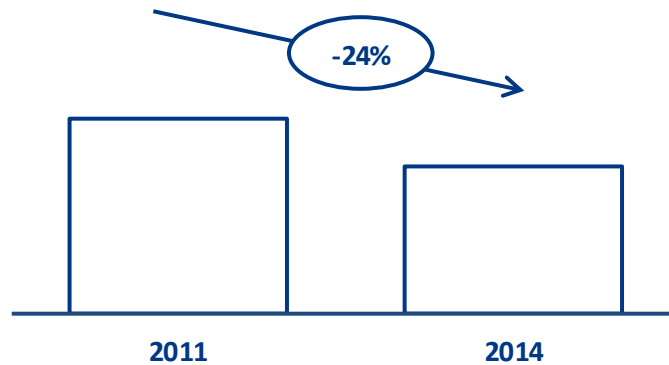


To benefit from IT consolidation & restructuring... ...savings in NW on the back of joint rollout & consolidation

IT costs



Network costs



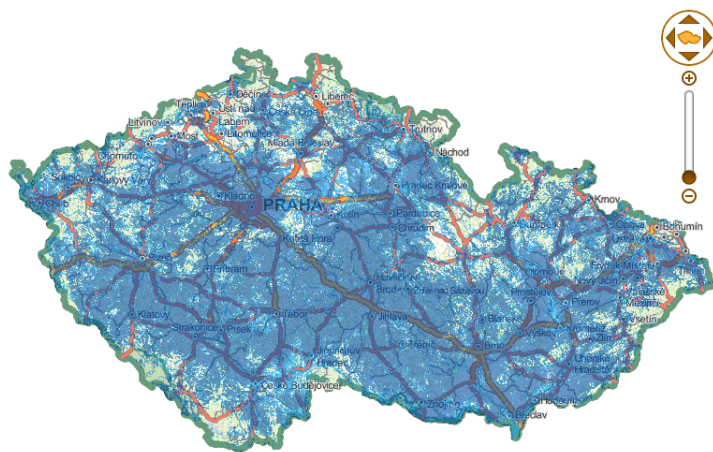
Pioneers in network sharing...

... execution to be continued by CETIN

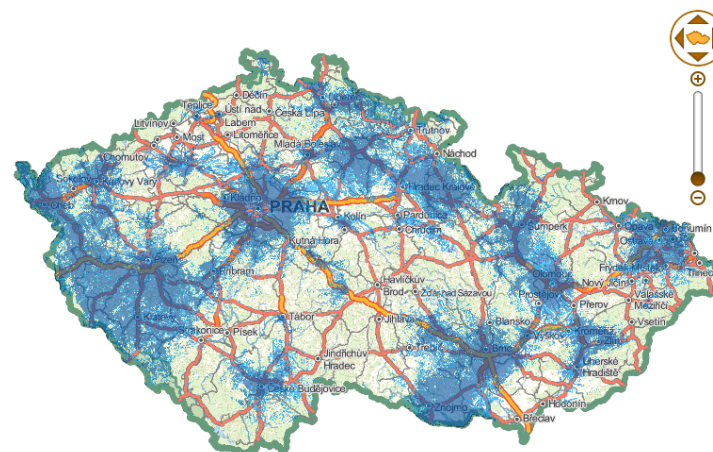


- 3G joint rollout in 2011
- 2G/3G consolidation in 2013
- LTE joint rollout in 2014
- Key network vendors retendered
- 40% network consolidation target...
- ... to meet spectrum coverage commitment

O2/T-Mobile LTE coverage [1]



Vodafone LTE coverage [1]

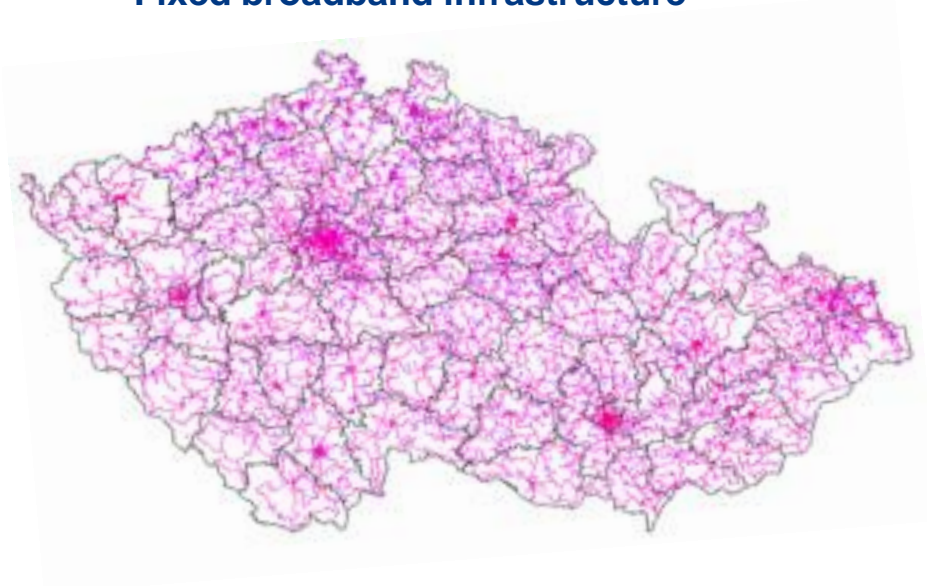


[1] LTE coverage in 800 Mhz band acquired in auction (Source: Czech Telecommunications Office); as of June 2015

Superior fixed broadband coverage [1]...

... with further increase in speeds

Fixed broadband infrastructure [1] [2]



Household coverage

O₂^[1] 90%

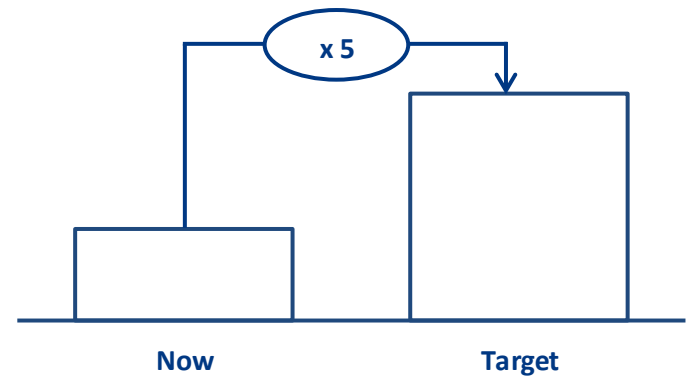
upc 33%

Speed upgrade through:

- Remote DSLAMs
- Vectoring
- Bonding

O2 proposition:

Min. speed 56Mbps



[1] through CETIN
[2] 20 million kmp of cables

Improving financials across the board...



O₂

... strong balance sheet

<i>CZK millions</i>	Q2 2015	Change Q2 15 / Q2 14
Operating Revenue	9,241	-0.3%
CZ Fixed	2,848	-8.5%
CZ Mobile	4,807	+2.0%
Slovakia	1,618	+11.0%
EBITDA	2,448	+15.8%
<i>EBITDA margin</i>	26.5%	+3.7 p.p.
Net Income	1,255	+24.9%
Adjusted Free Cash Flow ^[1]	2,429	+134.6%
	30 Jun 2015	
Non-current assets	21,012	
- of which Intangible Assets	16,016	
- of which Property, Plant & Equipment	4,317	
Current assets	9,770	
- of which Cash & cash. Equiv.	2,964	
Total assets	30,782	
Equity	15,759	
Non-current liabilities	3,055	
- of which Long-term financial debt	3,000	
Current liabilities	11,968	
- of which Short-term financial debt	4,001	

^[1] excluding settlement of liabilities with former majority shareholder in 2Q 2014, including CZK ~1 billion funding with CETIN via working capital in 2Q 2015

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